



Erick Russell

CONNECTICUT STATE TREASURER

Senator Lopes, Representative Gresko, Senator Harding, Representative Callahan, and distinguished members of the Environment Committee, thank you for the opportunity to submit testimony regarding **House Bill 6397** An Act Concerning Zero Carbon Emissions.

The climate crisis and its impact on the planet is the most consequential issue of our lifetimes. I applaud the Committee for taking a proactive approach to ensuring that the State reaches its carbon-reduction goals. However, I have concerns with the bill's requirement that the state divest from companies that derive more than 10% of its revenues from the sale of fossil fuels by October 1, 2023.

The Connecticut Retirement Plans and Trust Funds (CRPTF) Investment Policy Statement (IPS) outlines the Treasurer's discretion to consider the environmental implications of investments and explicitly acknowledges the material impact that environmental, social and governance factors may have on the sustainability, value, and performance of the CRPTF's investments over the long term. Additionally, state statute (C.G.S. 3-13d) authorizes the Treasurer to consider the environmental implications of investments.

Since the early 2000s, the Office of the Treasurer has strived to address the risks of climate change through the voting of proxies, shareholder engagement activities, and investment strategies. This shareholder advocacy has led to greater disclosure of greenhouse gas emissions and the ways in which companies are adapting their long-term business strategies to achieve the goals of the Paris Climate Agreement.

Beyond direct engagement with fossil fuel companies, the Office of the Treasurer has doubled the CRPTF's target allocation to infrastructure and natural resources and approved private investments of \$900 million since 2019 in clean energy and infrastructure funds. Utilizing the State's role as an institutional investor to mitigate the impacts of climate change has been a long-standing goal and practice of the Office of the Treasurer.

In 2022, the office began to explore a comprehensive decarbonization strategy. The strategy calls for: (1) measurement of the CRPTF's carbon footprint; (2) a framework for evaluating phased reductions in the CRPTF's carbon footprint, as well as feasibility of a net zero pledge by 2050 or sooner (including consideration of whether divestment from fossil fuel companies is in the best

interest of the CRPTF and its beneficiaries); and (3) increased investment in clean technologies, renewable energy, and other low-carbon transition strategies. As we continue to explore the most effective way in which the state can leverage its influence as an investor to mitigate the effects of climate change, any statutory requirement to divest by a date certain could undermine this goal and the progress we've made so far.

As fiduciary, I must have the discretion and flexibility to weigh the effectiveness of shareholder engagement with the state's overall investment strategy and ability to maximize returns for pension beneficiaries. I am committed to utilizing every tool at my disposal to reach our shared goals, including, if appropriate, divestment. Rushing this decision or requiring it in statute runs counter to my role as sole fiduciary of the State's pensions and trust funds. I urge the Committee to remove the provision requiring divestment by October 1, 2023, from the bill before it moves out of committee.

Thank you for the opportunity to submit testimony regarding **H.B. 6397**. As always, my office is available to answer any questions you may have.